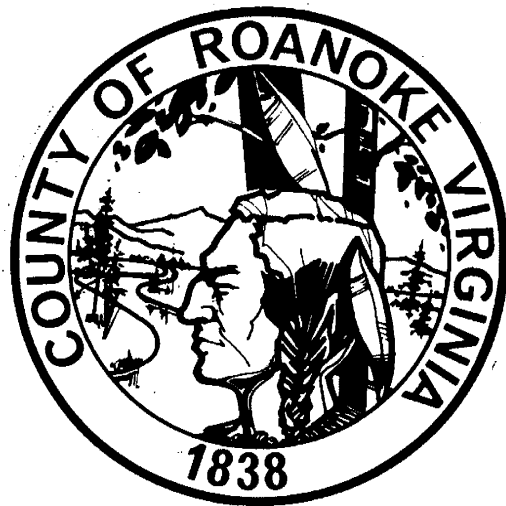


# *Debt Service Fund*



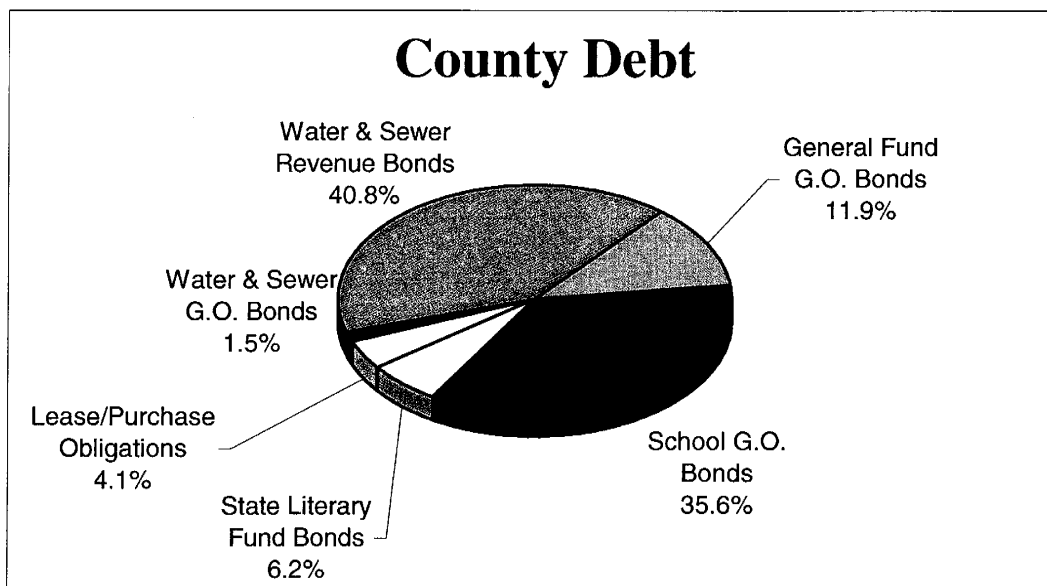
## Debt Service Fund

The Constitution of Virginia and the Public Finance Act of 1991 provide the authority for a county to issue general obligation debt secured solely by the pledge of its full faith and credit. A county also is authorized to issue debt secured solely by the revenues of the system for which the bonds are issued. There is no limitation imposed by state law or local ordinance on the amount of general obligation debt that a county may issue; however, with certain exceptions, all debt which is either directly or indirectly secured by the general obligation of a county must be approved at public referendum prior to issuance. Debt secured solely by the revenues generated by the system for which the bonds were issued may be issued in any amount without public referendum. The County currently maintains an AA/Aa2 bond rating.

### *Debt Issuance to Date*

As of June 30, 2003, the County of Roanoke had \$168,528,162 in outstanding long-term debt. This balance is comprised of:

General Fund G.O. Bonds	\$ 19,971,598
School G.O. Bonds	60,004,398
State Literary Fund Bonds	10,390,658
Lease/Purchase Obligations	6,879,153
Water & Sewer G.O. Bonds	2,533,334
Water & Sewer Revenue Bonds	68,749,021
<b>Total County Debt</b>	<b>\$ 168,528,162</b>



## Debt Service Fund Revenue and Expenditure Summary

	<b>Actual FY 2003</b>	<b>Budget FY 2004</b>	<b>Adopted FY 2005</b>	<b>Inc/(Dec)</b>
Revenue				
From Local Sources				
Interest Income	27,007	-	-	-
Bond Refunding	28,612,950			
Beginning Balance	-	214,191	233,178	18,987
Total	28,639,957	214,191	233,178	18,987
				-
Transfers from Other Funds				
General Fund - County	9,247,262	8,600,030	10,589,136	1,989,106
General Fund - Schools	2,585,597	2,445,472	2,304,369	(141,103)
School Operating		271,373	271,371	(2)
Debt Service	-	-	-	-
Capital	-	-	-	-
Total Transfers	11,832,859	11,316,875	13,164,876	1,848,001
				-
Total Revenues	40,472,816	11,531,066	13,398,054	1,866,988
Fund Balance- Beginning	588,060	221,537	221,537	-
<b>Total Revenues &amp; Fund Balance</b>	<b>\$ 41,060,876</b>	<b>\$ 11,752,603</b>	<b>\$ 13,619,591</b>	<b>\$ 1,866,988</b>
Expenditures				
County Debt Service Payments				
General Obligation bonds	22,032,797	1,846,672	1,843,971	(2,701)
Lease/Purchase Payments	519,358	487,534	392,030	(95,504)
Miscellaneous	-	214,191	223,178	8,987
IDA	3,634,240	573,392	575,951	2,559
Total Debt Service - County	26,186,395	3,121,789	3,035,130	(86,659)
				-
School Debt Service Payments				
General Obligation Bonds	6,387,453	663,782	664,281	499
VP&A Bonds	6,783,438	6,434,027	8,544,975	2,110,948
Literary Loan Payments	1,197,050	1,170,365	1,143,668	(26,697)
Lease/Purchase Payments	281,228	121,103	-	(121,103)
Miscellaneous	3,775	20,000	10,000	(10,000)
Total Debt Service - Schools	14,652,944	8,409,277	10,362,924	1,953,647
				-
Total Expenditures	40,839,339	11,531,066	13,398,054	1,866,988
Fund Balance - Ending	221,537	221,537	221,537	-
<b>Total Expenditures &amp; Fund Balance</b>	<b>\$ 41,060,876</b>	<b>\$ 11,752,603</b>	<b>\$ 13,619,591</b>	<b>\$ 1,866,988</b>

## **Other Long-Term Obligations**

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On July 1, 1987, the Board of Supervisors committed to participation in the Roanoke Regional Airport Commission with the City of Roanoke. The Commission was established by legislative act of the Commonwealth of Virginia to own and operate the Roanoke Regional Airport. As of July 1, 1987, under agreement between the City of Roanoke and the County of Roanoke, the City transferred to the Commission airport real estate, personal property, and funds to pay unexpended balances from outstanding obligations. The Commission itself, issued \$7.3 million in revenue bonds in 1988 for the construction, expansion and equipment for a new airport terminal. The bonds are not the debt of either participating locality. The Commission is responsible for paying all outstanding debt. The City and County, however, are responsible for their prorated share of any year-end operating deficits. The prorated share is based on the proportionate share of residents utilizing the airport facility from each locality. Roanoke County also paid a base service fee of \$264,640 each year through FY 1997. To date, the airport has not incurred any year-end operating deficits for which the City or County would be responsible.

Roanoke County is also a member of the Roanoke Valley Resource Authority. The Authority is the successor to the Roanoke County Resource Authority and was chartered by the State Corporation Commission on January 10, 1992. The Charter members of the Authority include the County of Roanoke, the City of Roanoke, and the Town of Vinton. The purpose of the Authority is to develop a regional solid waste disposal facility to dispose of non-hazardous solid waste generated within the Member jurisdictions. The Member Use Agreement has a minimum term of fifty years. It provides the Roanoke Valley Resource Authority with administrative responsibility for the regional waste disposal system. These responsibilities include development, construction, operation and maintenance of the Landfill in Roanoke County and the Transfer Station in Roanoke City.

The Authority issued \$33.83 million in Solid Waste System Revenue Bonds in 1992. The bonds are not obligations of, nor are they secured in whole or in part by the Charter Members. The bonds are limited obligations of the Authority secured solely by the net revenues derived from the operation of the Authority.

To provide a constant revenue stream to the Authority, the Charter Members have agreed that for as long as the bonds are outstanding, to deliver the system all acceptable waste which they generate or collect or which is collected by a private hauler on their behalf. Charter Members are required to make up any annual operating deficit of the Authority on a prorated basis. The prorated amount is based on each locality's population at the close of the preceding fiscal year. Initially, each Charter Member's prorated share was as follows: County of Roanoke, 40.78%; City of Roanoke, 54.86%; and the Town of Vinton, 4.36%.

After the first full year of operations, the Members Use Agreement requires the Authority to pay an annual community fee to the County of Roanoke and the City of Roanoke \$300,000 and \$100,000 respectively. These payments are made in consideration of the Landfill's location in the County and the Transfer Station's location in the City. The new regional waste disposal began operations in May 1994.

## Debt Service

The Debt Service Fund is used to accumulate all of the general government and school debt service of the County, including bonds and lease purchases. The water and sewer debt is accounted for in the Enterprise Fund.

## Debt Summary

As previously mentioned, there is no limitation imposed by state law or local ordinance on the amount of debt that a County may issue; however, all debt that is secured by the general obligation of a County must be approved by referendum. Given this fact, the County must be acutely aware that as debt levels increase, expenditure flexibility is decreased. Bond rating agencies recommend a maximum debt service level of 10% of net operating revenues and maximum long-term debt of 5% of assessed valuation. Roanoke County currently maintains a debt service level of 5.24% of net operating revenues and direct long-term debt equal to 1.49% of assessed property value. These ratios fall comfortably below recommended levels. In general terms, these ratios indicate that the County's current debt requirements will not adversely affect funding for future operations. However, it is extremely important to monitor fiscal position, given the debt requirements to which the County has committed.

Debt Appropriations				
<u>Description</u>	<u>Actual FY 2003</u>	<u>Budget FY 2004</u>	<u>Adopted FY 2005</u>	<u>% Change 04-05</u>
Personnel	\$ -	\$ -	\$ -	0.0%
Operating	11,871,168	11,531,066	13,398,054	16.2%
Capital	-	-	-	0.0%
Transfers	-	-	-	0.0%
Total	\$11,871,168	\$11,531,066	\$13,398,054	16.2%
Positions	-	-	-	-

SUMMARY SCHEDULE OF NET FUTURE DEBT REQUIREMENTS BY FISCAL YEAR AT JUNE 30, 2004												
FISCAL YEAR	COUNTY GENERAL FUND			SCHOOL BOARD COMPONENT UNIT			WATER AND SEWER FUND			TOTAL REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2004-2005	1,900,654	911,298	2,811,953	6,078,671	4,274,253	10,352,924	1,911,261	4,152,198	6,063,458	9,890,586	9,337,749	19,228,335
2005-2006	1,598,210	827,777	2,425,988	5,933,184	3,804,862	9,738,046	1,895,238	4,158,820	6,054,058	9,426,632	8,791,460	18,218,092
2006-2007	1,633,504	785,326	2,418,830	5,856,635	3,539,742	9,396,377	1,888,560	4,163,198	6,051,758	9,378,699	8,488,265	17,866,965
2007-2008	1,704,467	726,044	2,430,511	5,816,620	3,272,437	9,089,057	1,274,326	3,439,620	4,713,946	8,795,413	7,438,101	16,233,514
2008-2009	1,723,406	675,366	2,398,772	5,595,004	3,006,590	8,601,594	2,549,036	2,929,452	5,478,488	9,867,446	6,611,409	16,478,855
2009-2010	1,757,435	618,365	2,375,799	5,375,174	2,740,843	8,116,017	2,740,520	2,821,314	5,561,834	9,873,129	6,180,521	16,053,650
2010-2011	1,821,962	536,668	2,358,630	5,361,880	2,476,432	7,838,312	2,858,859	2,699,502	5,558,361	10,042,701	5,712,603	15,755,303
2011-2012	1,907,016	469,673	2,376,688	5,365,233	2,213,306	7,578,539	2,989,136	2,570,472	5,559,609	10,261,385	5,253,451	15,514,836
2012-2013	1,972,625	392,302	2,364,927	5,358,757	1,951,208	7,309,965	3,116,441	2,437,736	5,554,177	10,447,823	4,781,246	15,229,069
2013-2014	913,820	297,073	1,210,893	4,669,913	1,683,967	6,353,880	3,260,866	2,297,601	5,558,467	8,844,599	4,278,641	13,123,240
2014-2015	950,634	259,009	1,209,643	4,661,996	1,447,266	6,109,262	3,402,506	2,146,697	5,549,204	9,015,136	3,852,973	12,868,109
2015-2016	988,101	218,449	1,206,550	4,510,060	1,213,849	5,723,909	3,561,463	1,987,964	5,549,427	9,059,624	3,420,261	12,479,886
2016-2017	785,000	178,815	963,815	4,013,546	998,873	5,012,419	3,727,843	1,816,661	5,544,504	8,526,389	2,994,349	11,520,738
2017-2018	815,000	147,415	962,415	3,957,476	798,950	4,756,426	3,906,756	1,636,409	5,543,165	8,679,232	2,582,774	11,262,006
2018-2019	850,000	114,000	964,000	3,885,541	601,546	4,487,087	3,574,476	1,447,273	5,021,749	8,310,017	2,162,819	10,472,836
2019-2020	885,000	78,300	963,300	2,998,374	426,436	3,424,810	3,217,704	1,282,136	4,499,840	7,101,078	1,786,872	8,887,950
2020-2021	930,000	40,688	970,688	2,538,036	292,416	2,830,452	2,946,533	1,124,871	4,071,404	6,414,569	1,457,975	7,872,544
2021-2022	0	0	0	2,538,564	169,793	2,708,357	3,070,000	971,829	4,041,829	5,608,564	1,141,622	6,750,186
2022-2023	0	0	0	1,030,000	78,795	1,108,795	3,230,000	811,494	4,041,494	4,260,000	890,289	5,150,289
2023-2024	0	0	0	1,030,000	26,265	1,056,265	3,395,000	642,888	4,037,888	4,425,000	669,153	5,094,153
2024-2025	0	0	0	0	0	0	3,565,000	468,481	4,033,481	3,565,000	468,481	4,033,481
2025-2026	0	0	0	0	0	0	3,745,000	288,016	4,033,016	3,745,000	288,016	4,033,016
2026-2027	0	0	0	0	0	0	3,930,000	97,778	4,027,778	3,930,000	97,778	4,027,778
2027-2028	0	0	0	0	0	0	0	0	0	0	0	0
2028-2029	0	0	0	0	0	0	0	0	0	0	0	0
Total	23,136,836	7,276,567	30,413,403	86,574,664	35,017,828	121,592,492	69,756,525	46,392,410	116,148,934	179,468,025	88,686,805	268,154,830

## **Debt Policy and Projected Debt Ratios**

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One of the characteristics of a fiscally well-managed locality is the adoption of formal fiscal policies. On May 14, 1996, the County Board of Supervisors adopted a formal debt policy. This document formalizes the procedures that the Board has followed for many years. The documentation of these procedures gives rating agencies and County citizens the assurance that the issuance of debt is a well-planned transaction. In addition, this document sets forth three ratios that will monitor the affordability of the County's debt level.

The County will measure its level of debt through three ratios:

1. **Net Bonded Debt Per Capita** – This is the outstanding debt principal<sup>1</sup> divided by the population. The debt policy states that the County's net debt per capita should not exceed \$1,500. Currently, the County's net debt per capita is \$1,040.
2. **Net Debt to Assessments** – This is the outstanding debt principal<sup>1</sup> divided by the market value assessment of all the property (real and personal) and located in the County. The debt policy states that the net debt to assessments ratio should not exceed 3%. Currently, the County's ratio is 1.49%.
3. **Debt Service to General Fund Expenditures** – This is the debt service (principal and interest) paid in a year divided by the total general and school expenditures. The debt policy states that the debt service to general fund expenditures ratio should not exceed 10%. Currently, the County's ratio is 5.24%.

Net Debt is the amount of bonded debt that is payable from the general fund. The rating agencies are concerned with net debt because the citizens' ability to pay, the tax rate, and the assessed values impact it. The water and sewer debt (which is not included in net debt) is payable from the revenues of the water and sewer systems.

The debt policy also states that the Capital Improvement Plan will include a five-year projection of the County debt ratios. This projection of ratios can be used to determine the County's ability to issue new debt. The attached schedules show a ten-year history of significant debt ratios.

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<sup>1</sup> This includes debt to be paid from general tax dollars, excluding debt paid from the water and sewer operations.

# Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

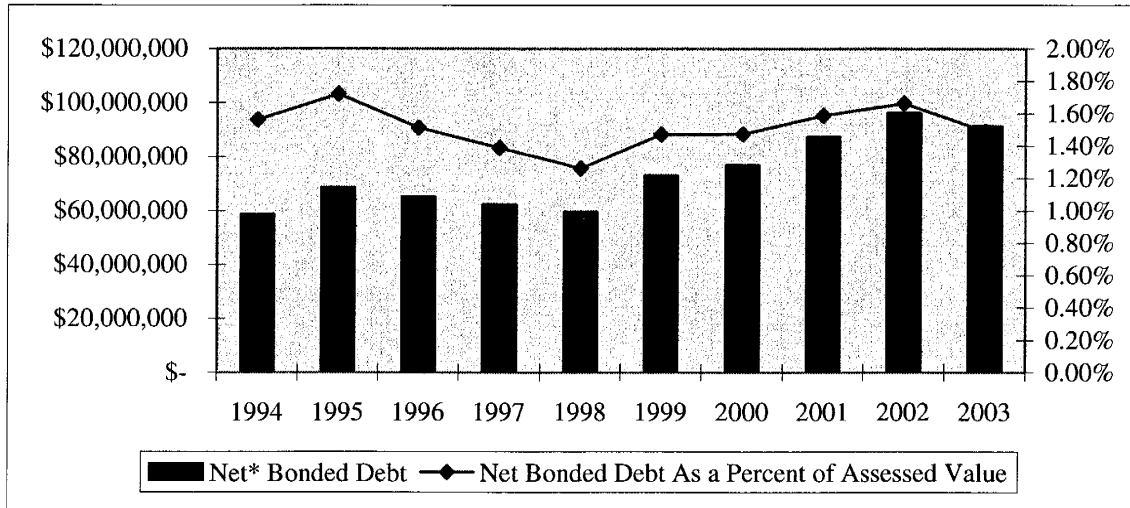
Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Enterprise Fund Debt Payables	Net Bonded Debt	Net Bonded Debt to Assessed	Net Debt per Capita	Net Lease Purchase Debt	Net Total Debt	Net Debt to Assessed Value	Net Debt Per Capita
1993	81,600	\$ 3,568,166,547	\$ 127,172,951	\$ 67,317,110	\$ 59,855,841	1.68	\$ 734	\$ 4,872,755	\$ 64,728,596	1.81	\$ 793.24
1994	82,700	3,744,032,793	125,082,439	66,594,626	58,487,813	1.56	707	5,417,618	63,905,431	1.71	773
1995	81,800	3,982,714,629	133,844,667	65,372,499	68,472,168	1.72	837	4,185,941	72,658,109	1.82	888
1996	81,800	4,295,855,267	129,412,652	64,425,177	64,987,475	1.51	794	3,391,986	68,379,461	1.59	836
1997	81,700	4,483,765,890	125,865,051	63,670,459	62,194,592	1.39	761	4,532,521	66,727,113	1.49	817
1998	83,200	4,717,239,161	123,831,514	64,357,505	59,474,009	1.26	715	4,486,489	63,940,498	1.36	769
1999	83,700	4,956,518,597	145,368,159	72,452,325	72,915,834	1.47	871	3,655,661	76,571,495	1.54	915
2000	85,778	5,213,636,831	151,095,334	74,342,980	76,752,354	1.47	895	2,970,963	79,723,317	1.53	929
2001	86,800	5,494,676,027	160,524,800	73,288,741	87,236,059	1.59	1,005	5,432,831	92,668,890	1.69	1,068
2002	86,800	5,784,563,055	167,327,810	71,212,355	96,115,455	1.66	1,107	7,074,153	103,189,608	1.78	1,189
2003	87,700	6,114,841,655	160,343,319	69,154,242	91,189,077	1.49	1,040	5,831,689	97,020,766	1.59	1,106



**Ratio of Annual Debt Service Expenditures for  
General Long-term Debt to Total General Government Expenditures**

Fiscal Year	Population	Principal		Interest	Total Debt		Total General Government Expenditures	% of Debt		General Government Expenditures Per Capita
		\$			Service			Service General Expenditures		
1993	81,600	\$ 5,205,986	\$ 2,500,597	\$ 7,706,583	\$ 134,632,634		\$	5.72%		1,650
1994	82,700	5,198,674	3,580,609	8,779,283	121,541,135			7.22		1,470
1995	81,800	4,692,322	3,469,892	8,162,214	127,386,618			6.41		1,557
1996	81,800	4,776,719	3,832,825	8,609,544	136,110,967			6.33		1,664
1997	81,700	5,307,349	3,740,320	9,047,669	143,094,134			6.32		1,751
1998	83,200	5,208,565	3,686,796	8,895,361	145,954,642			6.10		1,754
1999	83,700	5,362,375	3,749,415	9,111,790	153,573,704			5.93		1,835
2000	85,778	6,259,749	4,239,201	10,498,950	162,416,415			6.60		1,893
2001	86,800	6,856,327	4,185,655	11,041,982	172,538,763			6.40		1,988
2002	87,700	5,343,416	4,505,815	9,849,231	183,666,100			5.36		2,094
2003	87,700	6,168,842	5,300,724	11,469,566	218,591,712			5.24		2,492

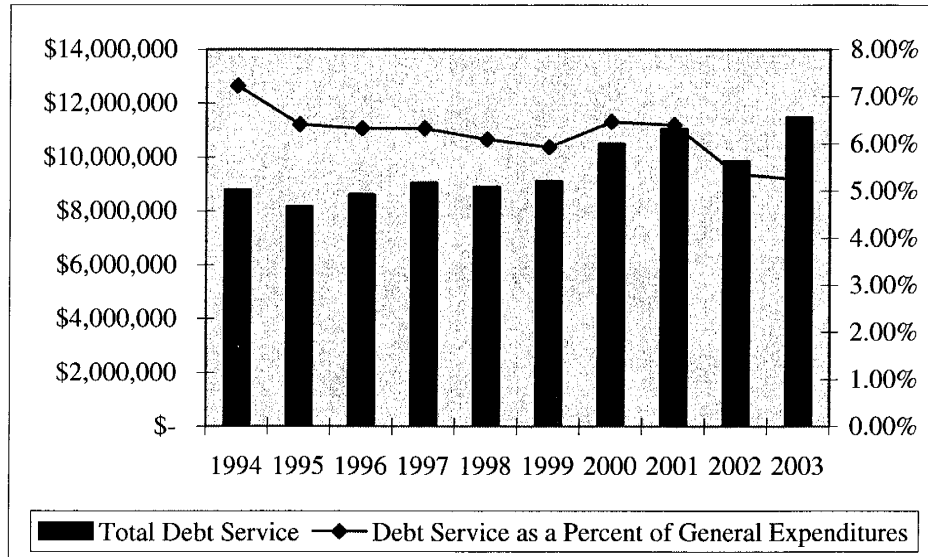
## Net Bonded Debt



Fiscal Year	Gross Bonded Debt	Net* Bonded Debt	Assessed Value	Net Bonded Debt As a Percent of Assessed Value
1994	\$ 125,082,439	\$ 58,487,813	\$ 3,744,032,793	1.56%
1995	133,844,667	68,472,168	3,982,714,629	1.72%
1996	129,412,652	64,987,475	4,295,855,267	1.51%
1997	125,865,051	62,194,592	4,483,765,890	1.39%
1998	123,831,514	59,474,009	4,717,239,161	1.26%
1999	145,368,159	72,915,834	4,956,518,597	1.47%
2000	151,095,334	76,752,354	5,213,636,831	1.47%
2001	160,524,800	87,236,059	5,494,676,027	1.59%
2002	167,327,810	96,115,455	5,784,563,055	1.66%
2003	160,343,319	91,189,077	6,114,841,655	1.49%

\*Net Bonded Debt is equal to gross bonded debt minus Water and Sewer Fund debts.

## Debt Service as a Percent of General Expenditures

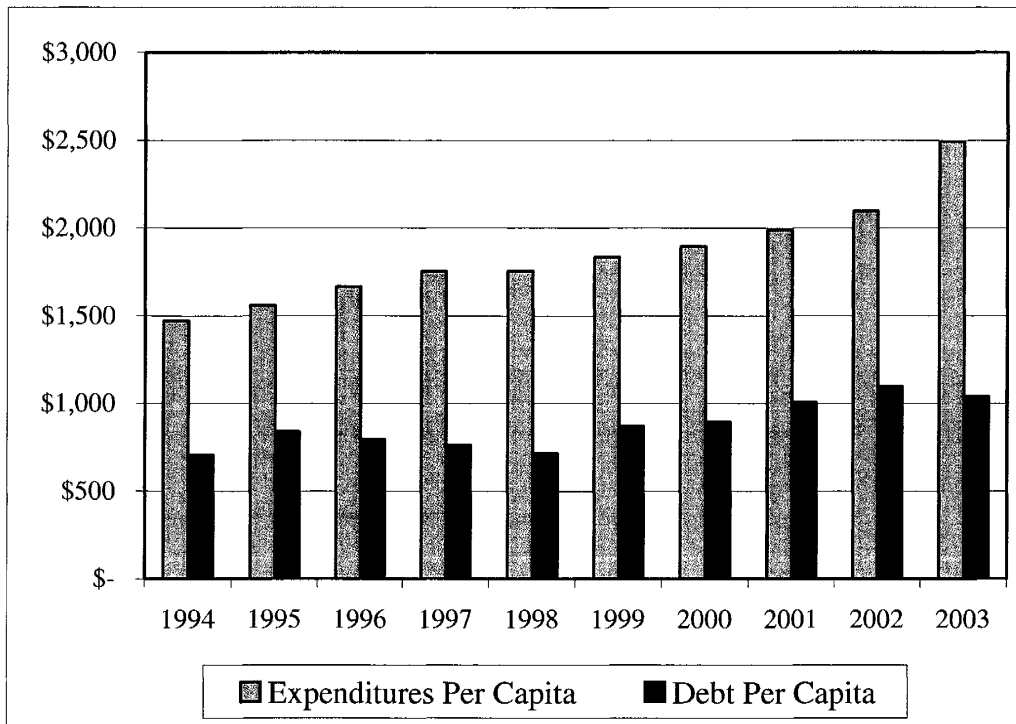


<b>Fiscal Year</b>	<b>Total Debt Service</b>	<b>Total General Government Expenditures</b>	<b>Debt Service as a Percent of General Expenditures</b>
1994	\$ 8,779,283	\$ 121,541,135	7.22%
1995	8,162,214	127,386,618	6.41%
1996	8,609,544	136,110,967	6.33%
1997	9,047,669	143,094,134	6.32%
1998	8,895,361	145,954,642	6.09%
1999	9,111,790	153,573,704	5.93%
2000	10,498,950	162,416,415	6.46%
2001	11,041,982	172,538,763	6.40%
2002	9,849,231	183,666,100	5.36%
2003	11,469,566	218,591,712	5.24%

**Notes:**

The County does not have any overlapping debt. General Government expenditures include General Fund, Component Unit School Fund Service Fund.

## Debt and Expenditures Per Capita



<b>Fiscal Year</b>	<b>Population</b>	<b>Total General Government Expenditures</b>	<b>Expenditures Per Capita</b>	<b>Net Bonded Debt</b>	<b>Debt Per Capita</b>
1994	82,700	\$ 121,541,135	\$ 1,470	\$ 58,487,813	\$ 707
1995	81,800	127,386,618	1,557	68,472,168	837
1996	81,800	136,110,967	1,664	64,987,475	794
1997	81,700	143,094,134	1,751	62,194,592	761
1998	83,200	145,954,642	1,754	59,474,009	715
1999	83,700	153,573,704	1,835	72,915,834	871
2000	85,778	162,416,415	1,893	76,752,354	895
2001	86,800	172,538,763	1,988	87,236,059	1,005
2002	87,700	183,666,100	2,094	96,115,455	1,096
2003	87,700	218,591,712	2,492	91,189,077	1,040